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## Korea, Republic of

### Product Brief

### Wine

### 2003

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**Report Highlights:**

Wine imports, both by value and volume, set a new record in 2002, reaching \$29.4 million and 11.1 million liters. Considering the on-going changes in the dietary and drinking culture among Korean consumers, it is expected that imports will continue to show double-digit growth for years to come. However, imports from U.S. declined by value from \$5.7 million to \$4.4 million in 2002, although by volume they set a new record of 1.38 million liters, indicating a strong demand for lower-priced U.S. wines from retail stores. This may provide a good opportunity for U.S. wines to eventually gain market share; however, the competition from Australia, Chile and France will continue to be strong.

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## 1. Market Prospects

### Summary

Wine imports, both by value and volume, set a new record in 2002, reaching \$29.4 million dollars and 11.1 million liters, up by 27.4% and 18.4% respectively from the previous year. The rapid growth of wine imports is expected to continue in years to come, considering the on-going changes in dietary and drinking culture among general consumers that favor western and healthy diets. However, imports from the U.S. by value in 2002 marked a sudden drop of 23.0% from the previous year due to a big surge in demand for U.S. red wines of cheaper prices in retail stores that replaced imports of medium priced products. Meanwhile, imports from the U.S. by volume in 2002 maintained a 24.9% increase to set a record high, 1.38 million liters.

U.S. maintained its status as the second largest exporter of wine to Korea in 2002, taking 15.2% of red, 17.2% of white, and 1.8% of sparkling wine imports by value. However, the gap between France and U.S. widened in 2002 as the imports from France by value increased by 49.5% from the previous year. France continued to dominate wine imports in 2002 in all categories, taking 61.8% of red, 31.7% of white, and 82.6% of sparkling wine imports by value. Especially, France has expanded their shares in medium to high-priced products in recent years as indicated by the fact that the average import price of French wine (CIF price) has increased significantly in all red, white, and sparkling categories. Italy, Chile, Australia, and Spain also increased their market shares in 2002, narrowing the gap to U.S.

Wine imports in the first half of 2003 by value have continued a healthy growth of 37.6% from the same period last year. However, imports by volume have shown a drop of 10.2% due to a decrease in imports from France and Spain in low-priced wines, both red and white. Meanwhile, imports from U.S., both by value and volume, have maintained a good growth, 21.1% and 40.7% respectively, during the same period. It is early to predict the total wine imports for this year yet but the continued appreciation of the euro against the Korean won in recent years is believed to have a positive effect on imports from U.S., especially on low-priced products.

Through 2002 and the first half of 2003, Chile and Australia have made big progress in Korea. Chile especially has made a big jump to become the fourth largest exporter of wine to Korea in the first half of 2003, taking 8.0% of red wine imports and 4.9% of white by value. It is likely that Chile will further increase its wine exports to Korea once the free trade agreement signed between the two countries finally goes in effect.

Korean wine market is still in the initial stages of development and offers a good potential for imported wine at all price and quality levels. New drinkers are the main consumers of entry class products while existing drinkers are moving toward higher quality/priced products. The rapid growth of modern format retailers offers new opportunities to expand. Mass retailers, such as hypermarkets (discount stores), grocery supermarkets, and convenience stores, have become the major distribution channel for low to middle-priced products, whereas specialty retailers, mainly independent liquor shops, stand-alone or in department stores, are concentrating on middle to premium priced products. Food service sector, independent or hotel restaurants and bars, also promises new opportunities as more of them, including those which of traditional Korean formats, are now serving wine. Industry experts say 60% of wine consumption is made at home currently while the other 40% takes place in restaurants. It is expected that more wine will be marketed through retail stores in the future.

A significant portion of total annual wine sales occur during traditional Korean gift-giving holidays such as Chusok (September), Christmas(December) and Lunar New Year's Day (January). Wine gift sets are becoming more popular with those who have health concerns and are replacing more of gift sets of whiskies. At the same time, wine consumption is becoming steadier among more wine drinkers. Currently, red wine is taking about 70% of the total market share, but sparkling and white wines have room for additional growth. Local vineyards and wine production have almost disappeared due to their lack of price and quality competitiveness against imports. Currently two local liquor manufacturers are bottling wine locally mainly with imported bulk wine.

In recent years, the market has seen the development of new marketing and educational infrastructure for wine industry, including wine schools, Internet-based wine communities, wine bars, and wine exhibitions, all of which are contributing to the expansion of wine consumers. Positive articles and reports in mass media about the health benefit of wine drinking have also helped to expand the consumption of wine in recent years. Wine is getting more popular among the young professionals and high-income elderly group. These factors equate to abundant opportunities for U.S. exporters.

### **Opportunities**

- ? Korea is one of the biggest markets for alcoholic beverages in the world
- ? On-going changes in dietary and drinking culture among general consumers favor western and healthy alternatives, including wine
- ? Wine is well positioned in the market with highly publicized health benefits
- ? Rising reputation of U.S. wine against European products
- ? Korean consumers have higher affinity to English language and products labeled in English
- ? Lack of local competition
- ? Young consumers are leading the expansion of the wine drinking culture
- ? Import prices of European wine have increased significantly in recent years due to a continuous appreciation of the euro against the Korean won

### **Challenges**

- ? High consumer prices for wine in general
- ? Lack of awareness of wine among consumers and trade
- ? Little understanding about the Korean market by U.S. wine exporters
- ? Complex labeling and tax requirements
- ? Little marketing and promotion efforts by U.S. suppliers and marketers
- ? Aggressive marketing and pricing supports by export-oriented competitors
- ? Majority of wine opinion leaders believe French wine is superior to U.S. wine in quality and value

? Newly emerging suppliers, especially Australia and Chile, are expanding their shares in medium to low priced products while France and European countries are gaining more shares in high priced products

## 2. Tariffs, Taxes and Pricing

? Consumer prices for wine are quite high. A combination of import duty and taxes, and large distribution costs and mark-ups results in retail wine prices two to four times those in the U.S.

? Korea applies a complicated tariff and tax system to imports of alcoholic beverages. Those applied to wine are as follows:

- A. Tariff: 15 percent
- B. Liquor Tax: 30 percent
- C. Education Tax: 10 percent

? Wine imports are subject to relatively lower duty and taxes compared to other alcoholic beverages. For example, beer import duty is 30%, liquor tax 115%, and education tax 30%. The whisky import duty is 20%, liquor tax 72%, and education tax 30%.

? Following is an example of the effects of taxes and mark-ups on a CIF \$10 bottle of wine:

A. CIF value:		\$ 10
B. Tariff (Customs Duty):	$A \times 15\% =$	\$ 1.5
C. Wine Tax:	$(A+B) \times 30\% =$	\$ 3.45
D. Education Tax:	$C \times 10\% =$	\$ 0.35
E. Subtotal:	$(A+B+C+D) =$	\$ 15.30
F. *Value Added Tax:	$E \times 10\% =$	\$ 1.53
G. **Fees for Customs Clearance, etc.:	$A \times 8\% =$	\$ 0.8
H. Customs cleared cost of wine:	$E+F+G =$	\$ 17.63

\* The Value Added Tax is refunded to the importer because the tax is eventually carried over to the final consumers.

\*\* In addition to the duties and taxes, additional fees of 7-8% of CIF value will occur for miscellaneous expenses, including customs clearance fee, warehousing fee, transportation fee, etc. The amount of this additional cost depends mainly on the kind of inspection the shipment is subject to. For example, the warehousing fee will increase significantly in case a detailed inspection is required.

I. Typical Importer Mark-ups (each mark-up calculation is based on \$16.10, the customs cleared cost (H) minus value added tax):

- 1. Importer's selling price to discount store: \$20.93 (mark-up 30%)
- 2. Importer's selling price to supermarket/liquor store: \$22.54-24.15 (mark-up 40-50%)
- 3. Importer's selling price to luxury hotel: \$22.54 (mark-up 40%)
- 4. Importer's selling price to wholesaler: \$18.52-20.93 (mark-up 15-30%)

J. Typical Retailer Mark-ups:

- 1. Discount store's selling price: \$22.60-25.12 (mark-up 8-20%)
- 2. Supermarket & liquor store's selling price: \$29.30-33.81 (mark-up 30-40%)
- 3. Luxury hotel restaurant's selling price: \$67.62-112.7 (mark-up 200-400%)

Thus, a CIF \$10 bottle of wine typically sells for about \$23-25 at discount stores, \$29-34 at supermarkets and liquor stores, and \$68-113 in hotel restaurants. The cost for advertising and promotions, overhead expenses, payment conditions (i.e. cash versus 60 days credit), and sales volume cause the big price differences between discount stores and liquor stores.

? Korean government newly introduced "Liquor Purchase Credit Card" program in 2001 as a safeguard to prevent black marketing of liquor products in the distribution channel. The new

regulation requires trade buyers to use designated credit card accounts issued by banks to advance pay suppliers when purchasing alcoholic beverage products.

### 3. Labeling

? Imported wine is required by law to have a Korean language label. In many cases, the importer attaches a Korean label manually after the shipment has arrived in Korea before customs clearance. The Korean language label should contain the following information:

1. Name of the product (e.g., Robert Mondavi Cabernet Sauvignon)
2. Country of origin (e.g., U.S.A)
3. Type of the product (e.g., Fruit Wine (Red Grape Wine))
4. Importer's name, address and phone number
5. Business license number of importer
6. Date of Bottling (e.g., Year-Month-Day or Julian Code or Lot Number)
7. Alcohol percent and volume (e.g., 13.5%, 750 ml)
8. Name and volume of ingredients by percentage
9. Name of place where the product can be returned or exchanged in case the product is damaged or defective. (e.g., the importer's name)
10. Instructions for storage.
11. Name of food additives
12. Government's health warning clause
13. Government's warning clause for juvenile consumers
14. \*Name of distribution channel the product is supposed to be sold (e.g., "Hypermarket Only")

\* Newly added from October 2002 to prevent black marketing of liquor products between traders.

### 4. Inspections

? All foods and beverages are subject to Ministry of Health and Welfare/Food Quarantine inspection. There are two kinds of inspections: A detailed inspection (chemical analysis test) and visual inspection (eye/document inspection).

? The first shipment is always subject to a detailed inspection which under Korean law should take a maximum of 10 working days (but in practice can take much longer). Subsequent shipments are subject to visual/document inspections which should take no more than 2 calendar days if the product is identical in label, product name, alcohol degree, vintage, ingredients, and net weight (milliliter) of the first shipment. Importers are required to submit front (English label) and back labels (Korean language label) to food inspection authorities.

? Korean labeling requirement for alcohol content maintains 0.5% tolerance level on the difference between the labeled and actual alcohol content, which is much tighter than the U.S. standard of 1.5%. U.S. wines manufactured under the higher tolerance level may fail KFDA's inspection.

? Established importers are well aware of all inspection and labeling requirements and are the best source of current information on labeling and inspection.

### 5. Market Situation

? Despite the slowdown in the global economy, the Korean economy maintained a solid growth in 2002 owing to robust increase in both consumer spending and exports. The outstanding 6.3% of GDP growth achieved in 2002 was only next to that of China in Asia.

However, the economy is expected to slow down throughout this year as the nation's trade balance is likely to be aggravated due to extended slump of the global economy and consumers are tightening their spending for worries over future. The GDP growth rate forecasted for this year by the Bank of Korea and most economic research institutions falls between 2-3%.

? Korea is heavily dependent upon imports for food needs as more than 70% of the land is mountainous and is not suitable for farming. The availability of land for farming is further restricted as there are 50 million people living in the nation of a size of the state of Indiana. The climate is also quite unfavorable for growing a variety of crops due to cold winters and wet/hot summers. Annual per capita income is \$10,000 in 2002. During the first half of 2003, overall imports of agricultural products increased by 4.1% from the same period of previous year, reaching \$6.6 billion. U.S. maintained its status as the leading supplier of agricultural products to Korea with a 26.6% market share. Imports of consumer-oriented agricultural products grew 8.5%, reaching \$765 million during 2002, reflecting a rapid growth of modern retail formats and food service segments that offer more opportunity to a variety of consumer ready imported foods.

? The depreciation of the U.S. dollar against the Korean won is expected to continue this year. The value of the U.S. dollar was depreciated by 8.5% in 2002 and further dropped by 1.8% against the Korean won during the first half of 2003. In contrast, the European euro has been steadily increasing against the Korean won in recent years, gaining 7.3% in 2002 and another 8.4% during the first half of 2003. Industry experts say European suppliers are trying to keep their export prices the same as before in spite of the significant appreciation of the euro against the won but have difficulties with low-priced products, which they supply on a comparatively tighter margin.

? Korea is one of the biggest markets for alcoholic beverages in the world. Drinking is considered a very important part of the social culture and is often suggested at social occasions. A report by local liquor industry indicates that Koreans consumed a record high amount of alcoholic beverages in 2002. On average, each Korean consumed 86.9 bottles of beer (0.5 liter bottle), up by 4% from 2001, 60.5 bottles of Soju (a traditional Korean vodka, 0.36 liter bottle), up by 1.4% from 2001, and 1.39 bottles of whisky (0.5 liter bottle), up by 13% from 2001. Although drinking is decreasing among the elderly, mainly because of health concerns, the market is getting even more new drinkers from younger generations and females.

? Changes in the dietary and drinking culture favor western drinks and healthier alternatives, including wine. Increasing social emphasis on a healthier diet has made many elderly drinkers switch over to 'weaker' alternatives, including wine. The growth of female drinkers also promises increasing share of wine in the total liquor market. Consumption of Soju (a traditional Korean vodka) has been steady due to its very competitive price (below \$1 per bottle, retail price) and the big success of newly introduced products that have a lower alcohol content.

? Wine is still a relatively new product to most Koreans. Currently, wine comprises less than 1% of the total liquor market. Consumers, distributors, retailers, and even many importers have limited knowledge about wine.

? Modern format mass retailers, including hypermarkets and grocery supermarkets under chain operation, have become the major distribution channel for wine. A typical mass retail store features about 50 to 100 varieties of wine in a separate corner in a liquor section. Some hypermarkets also have a separate liquor shop in their stores operated by an independent tenant. In this case, the hypermarket earns a fixed portion of sales made by

the in-store liquor shop as profit. About 30% of all wine sold in the market is purchased in mass retail stores. In the future, more wine is expected to be purchased in mass retail stores as more Koreans do their grocery shopping in this format. Another 15% of total wine sales is made at stand-alone independent liquor stores. Liquor shops in department stores, either operated directly by the department store or by an independent tenant, account for another 15% of total wine sales. The other 40% of total wine sales are made in food service channel, including restaurants and bars. An increasing number of restaurants and bars, even traditional places, offer wine in their menu.

? Wine imports have been liberalized since 1988. Any licensed liquor importer can now import liquor products, including wine. There is no significant entry barrier to earn a liquor import license. There are about 160 liquor import licensees in Korea but only about 25 of them import actively on a regular basis. Most importers also have a liquor-wholesaling license, which allows them to distribute directly to retailers and restaurants. Some importers operate their own retail liquor stores under a separate business license to increase their total revenues. The Korean Liquor Act prevents a distributor from purchasing liquor products from another distributor on the same level or below (for example, retailers from retailers, or wholesalers from wholesalers) for re-sale purpose. The Korean government abolished a restriction in 2001 that had prevented local liquor manufacturers from importing liquor products directly.

? A growing number of companies, both food and non-food businesses, are seeking opportunities in wine related businesses due to the remarkable expansion of wine market in recent years. Good examples include Lotte Chilsung Co., Ltd., the leading beverage manufacturer, and Maeil Dairy Co, a major dairy food processor, both of whom launched wine businesses in 2002, Lotte importing a PB brand wine, Maeil a wine retail shop chain. Currently there is no broadband wine importer/distributor in Korea that are capable of delivering one-stop service (supplying a variety of products from over the world) to mass retailers, such as common in the U.S.

? Internet-based wine communities are now playing an important role in educating consumers as well as in providing suppliers with marketing and promotional tools. Bestwine.co.kr and winenara.co.kr are the notable ones. Wine schools, independent or belonging to colleges, are providing various classes and tour programs for serious wine drinkers. Bordeaux Wine School, Winenara Wine School, and Seoul Wine School are the notable ones. JoongAng University, SeJong University, and KyungHee University operate well organized wine classes as extension programs. Le Seoul is a quarterly magazine that delivers the voices and news of wine industry. The 'Korean California Wine Importers Association (KCWIA)' has been organized in 2002 by sixteen local wine importers and offers a targeted marketing channel for California wine. The Seoul Wine Expo, an annual wine trade show, is another important marketing tool available for new-to-market suppliers and products.

## 6. Import Statistics & Competitors

Table 1: Korea Annual Wine Imports

Year	Value*	Growth %	Volume**	Growth %
1992	5,644	65.3%	1.9	58.3%
1993	5,855	3.7%	2.9	52.6%
1994	8,104	38.4%	3.9	34.5%
1995	13,633	68.2%	5.7	46.2%
1996	16,406	20.3%	5.5	-3.5%
1997	22,809	39.0%	8.8	60.0%



1998	6,491	-71.5%	2.4	-72.7%
1999	15,122	133.0%	5.2	116.7%
2000	19,802	31.0%	7.5	44.2%
2001	23,109	16.7%	9.4	25.3%
2002	29,432	27.4%	11.1	18.1%
2003***	18,570	37.6%	5.4	-10.2%

Source: KOTIS Data

\* Unit: \$1,000 USD

\*\* Unit: Million Liter

\*\*\* Up to June, 2003

? After experiencing a sudden decline due to an economic crisis in 1998, wine imports have shown a robust recovery to set a new high, both by value and volume, \$29.4 million and 11.1 million liters, in 2002. Total wine imports are expected to hit \$100 million in five years if imports maintain current growth rates.

Table 2: Korea Wine Imports (Year 2002)

Country		Sparkling	Red	White	Others	Total	Growth Fr 2001	***Unit Price	M/S
USA	* Volume	4,296	955,090	401,039	18,502	1,378,927	24.9%	\$3.17	12.4%
	** Value	\$25,557	\$3,072,103	\$1,217,097	\$54,600	\$4,369,357	-23.0%		14.8%
France	Volume	216,181	3,167,417	753,308	89,961	4,226,867	-0.1%	\$3.86	38.1%
	Value	\$1,149,709	\$12,484,065	\$2,244,088	\$449,691	\$16,327,553	49.5%		55.5%
Germany	Volume	2,731	52,855	705,172	3288	764,046	-14.3%	\$1.85	6.9%
	Value	\$12,265	\$106,919	\$1,288,852	\$8,696	\$1,416,732	-8.3%		4.8%
Italy	Volume	4,898	459,884	270,126	1,687	736,595	15.2%	\$3.06	6.6%
	Value	\$21,657	\$1,696,828	\$531,490	\$6,876	\$2,256,851	42.1%		7.7%
Australia	Volume	1,055	264,624	219,507	2652	487,838	41.6%	\$2.94	4.4%
	Value	\$4,683	\$963,353	\$451,606	\$12,384	\$1,432,026	59.6%		4.9%
Spain	Volume	58,167	845,809	1,982,314	37,736	2,924,026	93.2%	\$0.61	26.3%
	Value	\$156,032	\$701,083	\$896,556	\$27,126	\$1,780,797	69.6%		6.1%
Chile	Volume	1,184	229,622	48,633	22,780	302,219	87.6%	\$3.99	2.7%
	Value	\$7,486	\$925,627	\$191,161	\$80,560	\$1,204,834	84.7%		4.1%
Others	Volume	6,443	112,152	131,936	28,226	278,757	-43.0%	\$2.31	2.5%
	Value	\$13,963	\$250,073	\$262,493	\$116,924	\$643,453	-16.3%		2.2%
Total	Volume	294,955	6,087,453	4,512,035	204,832	11,099,275	18.4%	\$2.65	100.0%
	Value	\$1,391,352	\$20,200,051	\$7,083,343	\$756,857	\$29,431,603	27.4%		100.0%
US Share	Volume	1.5%	15.7%	8.9%	9.0%				
	Value	1.8%	15.2%	17.2%	7.2%				

Source: KOTIS Data

\* Unit: Liter

\*\* Unit: \$ USD

\*\*\* CIF Import Price (\$ per Liter)

? Total imports from U.S. dropped 23% by value in 2002 from the previous year, although the volume of imports grew 24.9%. Further breakdown of import statistics reveals that a sharp decrease in red wine imports by value was the reason. The average price of red wine imported from U.S. decreased sharply in 2002 from the previous year, from \$5.9 down to \$3.9 per liter (CIF value) while import volume increased by 21.8%. Industry experts say that there was a surge in imports of low-priced red wine from U.S. in 2002, replacing existing imports of medium-priced products, due to a strong demand for cheap red wine from the



retail segment. It is likely that the demand for lower-end red wine from the U.S. will remain strong as lower-end European wine, especially French, is not as price comparative in Korea as before due to a significant appreciation of the euro against the Korean won. In addition, E&J Gallo has played a very important role in promoting low-priced U.S. products in retail stores in recent years. Spain has become a major supplier of low priced "bulk wine" to local liquor manufacturers who bottle low priced wines under their own brands locally. However, these local bottlers are always seeking cheapest possible supply of bulk wine and are not a counterpart for stable long-term business.

Table 3: Imports of Sparkling Wine (by Year and Country)

Country		2001			2002			2002	2003			Growth
		Year	M/S	\$/liter	Year	M/S	\$/liter	up to June	up to June	M/S	\$/liter	up to June
France	* Volume	136,273	70.5%	\$4.9	216,181	73.3%	\$5.3	121,908	89,215	71.7%	\$8.7	-26.8%
	** Value	\$666,950	82.8%		\$1,149,709	82.6%		\$543,573	\$780,064	84.0%		43.5%
USA	Volume	1,134	0.6%	\$2.6	4,296	1.5%	\$5.9	1,514	900	0.7%	\$2.9	-40.6%
	Value	\$2,966	0.4%		\$25,557	1.8%		\$17,054	\$2,608	0.3%		-84.7%
Italy	Volume	14,759	7.6%	\$2.7	4,898	1.7%	\$4.4	448	7,837	6.3%	\$5.5	1649.3%
	Value	\$39,423	4.9%		\$21,657	1.6%		\$3,772	\$43,225	4.7%		1045.9%
Germany	Volume	3,120	1.6%	\$3.6	2,731	0.9%	\$4.5	1,824	900	0.7%	\$4.0	-50.7%
	Value	\$11,289	1.4%		\$12,265	0.9%		\$6,881	\$3,608	0.4%		-47.6%
Spain	Volume	33,396	17.3%	\$2.3	58,167	19.7%	\$2.7	37,665	23,258	18.7%	\$3.6	-38.3%
	Value	\$77,660	9.6%		\$156,032	11.2%		\$75,595	\$84,751	9.1%		12.1%
Australia	Volume	648	0.3%	\$3.6	1,055	0.4%	\$4.4	855	1,872	1.5%	\$4.5	118.9%
	Value	\$2,314	0.3%		\$4,683	0.3%		\$4,108	\$8,345	0.9%		103.1%
Chile	Volume	0	0.0%	n/a	1,184	0.4%	\$6.3	464	0	0.0%	n/a	-100.0%
	Value	\$0	0.0%		\$7,486	0.5%		\$1,904	\$0	0.0%		-100.0%
Others	Volume	3,923	2.0%	\$1.2	6,443	2.2%	\$2.2	1,856	431	0.3%	\$13.2	-76.8%
	Value	\$4,807	0.6%		\$13,963	1.0%		\$3,016	\$5,699	0.6%		89.0%
Total	Volume	193,253	100.0%	\$4.2	294,955	100.0%	\$4.7	166,534	124,413	100.0%	\$7.5	-25.3%
	Value	\$805,409	100.0%		\$1,391,352	100.0%		\$655,903	\$928,300	100.0%		41.5%

Source: KOTIS Data

\* Unit: \$ USD

\*\* Unit: Liter

Table 4: Imports of Red Wine (by Year and Country)

Country		2001			2002			2002	2003			Growth
		Year	M/S	\$/liter	Year	M/S	\$/liter	up to June	up to June	M/S	\$/liter	up to June
France	* Volume	2,369,399	49.1%	\$3.5	3,167,417	52.0%	\$3.9	1,431,567	1,248,108	38.9%	\$5.5	-12.8%
	** Value	\$8,252,746	51.2%		\$12,484,065	61.8%		\$5,239,741	\$6,908,029	52.9%		31.8%
USA	Volume	784,001	16.2%	\$5.9	955,090	15.7%	\$3.2	439,026	641,130	20.0%	\$3.2	46.0%
	Value	\$4,616,808	28.6%		\$3,072,103	15.2%		\$1,583,041	\$2,036,933	15.6%		28.7%
Italy	Volume	407,855	8.4%	\$2.9	459,884	7.6%	\$3.7	252,489	282,520	8.8%	\$4.8	11.9%
	Value	\$1,164,779	7.2%		\$1,696,828	8.4%		\$781,496	\$1,362,611	10.4%		74.4%
Germany	Volume	49,245	1.0%	\$2.9	52,855	0.9%	\$2.0	19,469	81,136	2.5%	\$2.4	316.7%
	Value	\$141,095	0.9%		\$106,919	0.5%		\$39,245	\$197,589	1.5%		403.5%
Spain	Volume	671,491	13.9%	\$0.8	845,809	13.9%	\$0.8	563,378	380,423	11.9%	\$1.1	-32.5%
	Value	\$535,571	3.3%		\$701,083	3.5%		\$397,286	\$425,151	3.3%		7.0%
Australia	Volume	189,590	3.9%	\$3.1	264,624	4.3%	\$3.6	126,230	209,557	6.5%	\$3.8	66.0%
	Value	\$594,737	3.7%		\$963,353	4.8%		\$427,119	\$801,224	6.1%		87.6%
Chile	Volume	102,072	2.1%	\$4.6	229,622	3.8%	\$4.0	119,475	298,171	9.3%	\$3.5	149.6%
	Value	\$470,972	2.9%		\$925,627	4.6%		\$371,806	\$1,042,187	8.0%		180.3%

Others	Volume	255,726	5.3%	\$1.4	112,152	1.8%	\$2.2	68,012	66,507	2.1%	\$4.2	-2.2%
	Value	\$350,996	2.2%		\$250,073	1.2%		\$110,505	\$279,167	2.1%		152.6%
Total	Volume	4,829,379	100.0%	\$3.3	6,087,453	100.0%	\$3.3	3,019,646	3,207,552	100.0%	\$4.1	6.2%
	Value	\$16,127,704	100.0%		\$20,200,051	100.0%		\$8,950,239	\$13,052,891	100.0%		45.8%

Source: KOTIS Data

\* Unit: \$ USD

\*\* Unit: Liter

Table 5: Imports of White Wine (by Year and Country)

Country		2001			2002			2002	2003			Growth
		Year	M/S	\$/liter	Year	M/S	\$/liter	up to June	up to June	M/S	\$/liter	up to June
France	* Volume	747,947	22.9%	\$2.2	753,308	16.7%	\$3.0	388,642	353,559	17.6%	\$3.9	-9.0%
	** Value	\$1,639,161	29.6%		\$2,244,088	31.7%		\$1,069,034	\$1,391,646	31.3%		30.2%
USA	Volume	301,573	9.2%	\$3.3	401,039	8.9%	\$3.0	194,606	251,819	12.5%	\$2.8	29.4%
	Value	\$984,071	17.8%		\$1,217,097	17.2%		\$665,435	\$694,016	15.6%		4.3%
Italy	Volume	206,369	6.3%	\$1.8	270,126	6.0%	\$2.0	130,550	153,806	7.7%	\$2.4	17.8%
	Value	\$371,718	6.7%		\$531,490	7.5%		\$242,426	\$373,686	8.4%		54.1%
Germany	Volume	838,778	25.7%	\$1.7	705,172	15.6%	\$1.8	493,000	401,332	20.0%	\$2.1	-18.6%
	Value	\$1,385,095	25.0%		\$1,288,852	18.2%		\$792,759	\$851,753	19.2%		7.4%
Spain	Volume	796,799	24.4%	\$0.5	1,982,314	43.9%	\$0.5	1,379,987	621,618	30.9%	\$0.7	-55.0%
	Value	\$410,042	7.4%		\$896,556	12.7%		\$575,315	\$408,165	9.2%		-29.1%
Australia	Volume	153,497	4.7%	\$1.9	219,507	4.9%	\$2.1	113,062	111,565	5.6%	\$2.5	-1.3%
	Value	\$295,305	5.3%		\$451,606	6.4%		\$218,251	\$273,607	6.2%		25.4%
Chile	Volume	28,475	0.9%	\$4.0	48,633	1.1%	\$3.9	21,205	50,075	2.5%	\$4.4	136.1%
	Value	\$114,598	2.1%		\$191,161	2.7%		\$77,458	\$218,073	4.9%		181.5%
Others	Volume	187,898	5.8%	\$1.8	131,936	2.9%	\$2.0	41,606	64,721	3.2%	\$3.6	55.6%
	Value	\$331,302	6.0%		\$262,493	3.7%		\$103,668	\$233,675	5.3%		125.4%
Total	Volume	3,261,336	100.0%	\$1.7	4,512,035	100.0%	\$1.6	2,762,658	2,008,495	100.0%	\$2.2	-27.3%
	Value	\$5,531,292	100.0%		\$7,083,343	100.0%		\$3,744,346	\$4,444,621	100.0%		18.7%

Source: KOTIS Data

\* Unit: \$ USD

\*\* Unit: Liter

Table 6: U.S. Vs. French (Year 2002)

Variety		U.S.	French
Sparkling	Volume Share	1.5%	73.3%
	Value Share	1.8%	82.6%
	Import Price / Volume	\$5.3 /Liter	\$5.9 /Liter
Red	Volume Share	15.7%	52.0%
	Value Share	15.2%	62.8%
	Import Price / Volume	\$3.2 /Liter	\$3.9 /Liter
White	Volume Share	8.9%	16.7%
	Value Share	17.2%	31.7%
	Import Price / Volume	\$3.0 /Liter	\$3.0 /Liter

? French wine has dominated wine imports in all red, white, and sparkling categories. However, the reputation and demand for U.S. wine has grown rapidly. French white wine is not as dominant in the market as it used to be. There is a large Korean population residing in or traveling to the U.S., creating taste and brand loyalty.

? Most competitors are much more export-oriented than U.S. suppliers and put heavy resources into marketing and pricing supports in Korea. Competitors' major marketing tactics include; tasting seminars, invitation of wine trade and press to overseas wine exhibitions, hosting cultural events coupled with wine promotion, organizing consumer trips to wineries, participating in local food shows with information booths, supporting local wine schools with free wine tasting, working closely with local wine experts and helping them to get educated in their countries. In comparison, the U.S. wine industry is in general domestic market oriented and often overlooks opportunities and potentials of the Korean market, which in many cases makes it difficult for local importers to build long-term business relationships with U.S. wineries.

## **7. Local Production**

? Korean wine grape production is negligible. Wine grape production will gradually disappear due to the high cost of vineyards and a lack of international competitiveness in quality. Korea's winter is too cold and summer is too rainy to grow quality wine grape. Very small amount of locally grown wine grapes are supplied to local liquor manufacturers who use the must from the grape in making low-priced wine under their own brands by mixing it with imported bulk wine. Doosan Liquor Business Co., Ltd. and Jinro Co., Ltd. are the major local liquor manufacturers who make their own wine brands. One province government is currently working on making wine from table grape but the project is not moving very well as consumers find the quality of the wine inferior to imports. Another local wine from table grape is under production by a contract with Korean Association of Catholic Churches to be used during service but not for commercial sales.

## **8. Importers List**

? Please contact ATO Seoul directly for questions and importers list.

<p>For further information, contact: Agricultural Trade Office, American Embassy Unit #15550, APO AP 96205-0001 Tel. No.: 82-2-397-4188      Fax No.: 82-2-720-7921 E-mail: <a href="mailto:atoseoul@fas.usda.gov">atoseoul@fas.usda.gov</a> Internet: <a href="http://www.atoseoul.com">www.atoseoul.com</a></p>
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